Version 3.0 November 2021

China CITIC Bank

London Branch

Liquidity Risk Management Policy

Document History

Author	Chief Risk Officer	Status	FINAL
Version	3.0	Date	Nov 2021
Approved by	Audit & Risk Committee		
Approved Date	22/11/2021	Next Review Date	November 2022
Location	London		

Version	Owner	Approval	Date	Major changes
1.0	President	President	May 2018	PRA Regulatory Business Plan
1.1	CRO	MANCO	Oct 2018	Approved as per Manco 24/10/2018
2.0	CRO	ARCo	Nov 2020	Approved as per Manco 26/11/2020
3.0	CRO	ARCo	Nov 2021	• Liquidity Risk Appetite - delete references to NSFR limits (12) • Liquidity Risk monitoring - delete risk monitoring of Cumulative Contractual mismatch (13) • Liquidity Risk monitoring – update A&L mismatch monitoring by Finance (13) • Liquidity reporting – update daily reporting (14) • Liquidity reporting – update monthly ALCo reporting - Financial Markets (14) • Liquidity reporting – update monthly ALCo reporting – Risk Department (14) • Liquidity reporting – update monthly ALCo reporting – Finance Department (14) • Appendix A – RAS limits, update no RAS limits for liquidity risk (20) • Appendix B – update ALCO approval of 'Liquidity and Funding Strategy' (21)

CONTENT

1 Background

This document sets out the approach adopted by China CITIC Bank London Branch ("CNCBLB" and / or "the Branch") for the management of liquidity risk.

For the purposes of this Policy, liquidity risk is defined as the risk that the Branch is unable to meet its financial obligations as they fall due. This may occur as a result of the Branch's inability to:

- Meet its short-term lending commitments, rollover its short terms funding, or meet other contractual cash obligations; and
- Liquidate sufficient liquid assets, including marketable securities in a timely manner and acceptable price to meet all of its cash requirements.

Responsibility for managing the Branch's liquidity, within the Risk Appetite Statement approved by the Management Committee ("ManCo"), ultimately rests with the ManCo but with day-to-day responsibility delegated to the Head of Financial Markets ("HoFM").

2 Objectives

The overarching objectives of the liquidity risk management arrangements implemented for the Branch, which will manage its own liquidity position day-today, is to ensure liquidity risk is understood by relevant individuals, and that arrangements in place allow the risk to be identified, measured, managed, monitored and reported upon both locally in the Branch and to Head Office ("HO").

The specific objectives of this policy are to:

- Provide overview of Regulatory requirements relating to CNCB LB liquidity risk requirements
- Assign ownership and accountability for the maintenance of the policy;
- Support the implementation of the Branch's Risk Appetite as it applies to liquidity risk management;
- Define the monitoring and reporting framework for managing liquidity as defined in the Liquidity and Funding Strategy; and
- Set out the Contingency Funding Plan

3 Policy Ownership/Oversight

The ’chain’ of ownership and oversight of this policy is set out below:

Document Owner	The Chief Risk Officer (“CRO”) is responsible for the maintenance for this policy reflecting oversight responsibilities for the Treasury Risk. Any material changes to this policy must be formally signed off by the ALCo before these changes are communicated to staff.
Challenge	The Assets and Liability Committee (“ALCo”) will review and challenge this policy at least annually or more frequently as necessary. A recommendation for approval or otherwise must be made to the ARCo following each review. Reviews outside the annual cycle could be prompted by changes made to the President’s delegation of authority (“DOA”) from HO; changing markets, new products or changing regulatory requirements.
Approval	ARCo reviews and challenges the policy based on the recommendation from ALCo. Not until it has been formally approved by ARCo will proposed changes take effect.
Applicability	All members of staff, whether permanent (local hires and/or expatriate) or contractors must operate in accordance with this policy. Escalation of any matters arising in respect of this should be via the individual’s Head of Department or directly to the CRO. To ensure compliance with the requirements of this policy the Risk Department as well as Internal Audit (“IA”) will conduct periodic reviews to ascertain compliance with the provisions of this policy.

4 Regulatory Requirements

The Branch is subject to the Prudential Regulation Authority's ("PRA") UK Liquidity regime as set out in Supervisory Statements SS10/14 and SS1/17. These provide an outline of the PRA's expectations of non- EU European Economic Area ("EEA") Branches operating in the UK in respect of liquidity risk management arrangements and state:

- Third-country forms liquidity will be managed at 'whole-firm' level;
- Liquidity Cover Ratio ("LCR") must be submitted on a semi-annual basis; and
- Reporting of LCR could be at a more frequent basis (at PRA request) and the firm must be able to provide liquidity information on a daily basis during stress.

General background to the wider UK Liquidity Regime, on 1 October 2015, the Commission Delegated Regulation (EU) 2015/61 ("the Delegated Act"), which sets out the details of the Liquidity Coverage Ratio ("LCR") came into force. At the same time, PS 11/15 revoked BIPRU 12 and set out new requirements for banks covering areas such as:

- The phase-in process for the LCR;
- Liquidity reporting and disclosure; and
- Liquidity risk management.

This information is provided for general information and should not be read as being directly applicable to the Branch, however, the principles and approaches described in the regulations have been considered in establishing the specific arrangements for liquidity risk management for the Branch.

5 Risk Management Framework

Liquidity Risk management forms and integral part of the overall risk framework, which is presented as follows:

CNCB (HEAD OFFICE)

HEAD OFFICE DELEGATED AUTHORITY
PRESIDENT CNCB LB

RISK APPETITE STATEMENT

RISK MANAGEMENT FRAMEWORK

RISK	PRIMARY RISK MANAGEMENT FRAMEWORK
CREDIT RISK	Credit Approval and Credit Risk Management Policy
MARKET RISK	Market Risk Management Policy
OPERATIONAL RISK	Operational Risk Management Policy
	Outsourcing Policy
	Business Continuity Management Framework
	New Products Approval Policy
	Conduct Risk Policy Framework
LIQUIDITY RISK	Liquidity Risk Management Policy

CNCBLB considers the cornerstone of liquidity risk management to be a robust overarching risk management framework ("RMF"), supported by clear policies and procedures.

This ensures compliance with both general regulatory requirements and with the Risk Appetite limits (see ***Appendix A***) set by the ManCo.

The key committees involved in liquidity risk management are ManCo; ALCo and Audit and Risk Committee (“ARCo”). The ALCo maintains oversight of liquidity and is also responsible for reviewing and making recommendations to the ARCo on the liquidity risk management strategy. ALCo receives periodic Management Information (“MI”) predominantly from the Treasury but also from the Risk department periodically, which serves as the basis for its challenges and oversight. ManCo receives periodic Management Information (“MI”) predominantly from Risk department in the monthly ‘Comprehensive Risk Management Report’, which serves as the basis for its challenges and overall oversight of risk management of the Branch.

6 Liquidity Risk Management

6.1 Three Lines of Defence

First Line of Defence

The Treasury team within Financial Markets will carry out all liquidity management activities on behalf of CNCBLB. The liquidity management activities undertaken are primarily in the following areas:

- Developing and implementing the ‘Liquidity and Funding Strategy’ (see ***Appendix B***);
- Managing the day-to-day cash-flows to ensure CNCBLB can meet all its obligations (see ***Appendix C*** – cash report);
- Ensuring that the Branch has correct funding levels; and
- Monitoring liquidity levels and if necessary resort to the ‘Contingency Funding Plan’ (see ***Appendix D***) to ensure minimal disruption to CNCB LB business activities.

In addition, the Finance and Accounting Department prepares financial reports including balance sheet structure, funding and liquidity gaps. In doing so, it is responsible for analysis of profits / losses on these positions which it reports to ARCo and ManCo periodically.

Second Line of Defence

The second line oversight and support are provided by the Risk department ("Risk") and Compliance Department. Risk has day-to-day responsibility for overseeing the implementation of the Policy. It presents regular reports to ManCo on the Market and Liquidity Risk positions of the Branch, limit utilisation and related issues.

Risk is also responsible for reporting the Liquidity Risk position of the Branch to HO through the functional 'dotted' line and if required, the ARCo reporting requirements to HO Risk Committees.

Third Line of Defence

The third line is implemented through the Internal Audit function (which is an outsourced function) which conducts periodic assurance activities in respect of policy adherence as well as adequacy of the overarching Risk Management Framework.

6.2 Systems and Controls

The Branch will ensure it has systems and processes in place to identify, monitor and mitigate its Liquidity Risk. As per SYSC 7, Risk Control requirements; CNCBLB will have the following in place to identify, manage, monitor and report liquidity risk:

- Adequate risk management policies and procedures;
- Effective arrangements, processes and mechanisms to manage risk within tolerance levels;
- Effective measures to address deficiencies; and
- Relevant authorised persons to take responsibility of liquidity risk.

6.3 Sources of funding

As defined in the ‘Liquidity & Funding Strategy document, the Branch’s main sources of funding are being developed and are identified as::

- HO working capital;
- Borrowing from HO (committed liquidity funding line in place);
- Group /related party funding eg: China CITIC International
- Short-term Certificates of Deposits (CD) under 365days
- Medium-term notes eg: Bonds
- Money market borrowing; and
- Corporate and Financial Institution Deposits.

6.4 Liquidity Risk Appetite

The Branch's approach to setting its Risk Appetite is to:

- Understand the significant risks to achieving its Liquidity & Funding strategy to meet the Branch objectives;
- Establish a Risk Appetite and acceptable tolerance levels of both liquidity risk and funding profile; and
- Establish and communicate this appetite through the risk management framework.

The expression and accountability for the Branch's Risk Appetite will sit with the ManCo, who will delegate oversight for liquidity to the ALCo. Limits are set by ALCo, and will be managed by Treasury.

See Appendix A – Liquidity Risk limits (Risk Appetite Statement)

7. Liquidity monitoring and reporting

A fundamental part of risk management is the need for robust and insightful management information ("MI") to serve as the basis for the appraisal and monitoring of risk positions.

7.1 Liquidity Monitoring

Assets & liability mismatches ((Daily Finance report covering Balance sheet & Income statement)), excessive funding of long-term assets with short-term liabilities increases short-term risk that sufficient funding will not be available to meet contractual obligations and that on maturity of existing funding, replacing funding risk of pricing or not be available.

- **Funding source concentration (Daily Finance report covering Balance sheet & Income statement)**, funding is managed by the Treasury function within Financial Markets. The overall liability funding structure and tolerances are managed within the following parameters:
-

  - Funding from FI to Maturity < 25% in 1 Month
  - Funding from FI to Maturity > 20% Over 6 Months
  - Funding from FI Concentration Limit > 15% Funding (excluding HO)

7.2 Liquidity Reporting

In the context of reporting liquidity risk both Finance and Financial Markets departments provides MI to senior management, the following is a sample but not an exhaustive list of MI reporting that will cover liquidity risk:

Frequency/Coverage		Prepared by:	Distribution
Daily	Balance sheet Income statement Liquidity gaps Variance report Issues/discrepancies	Finance Department • Daily & YTD Balance sheet and Profit & Loss Statements • Daily Branch Liquidity Gap	ManCo Risk department Financial Markets Heads of Departments (BD, Operations & IT)
Monthly	Markets update	Financial Markets • ALCo FM monthly update • Funding concentration • Liquidity Risk metrics	ALCO members
Monthly	Risk update	Risk Department • Deal pipeline • FX risk	

		• Interest rate risk • Early warning indicators	ALCO members
Monthly	Finance update	Finance Department • Balance sheet • Funding structure • Future cash flow • Profit & Loss analysis • Derivative analysis	ALCO members

8. Management of Key Liquidity Risks

8.1 Intraday liquidity risk management

Intra-day liquidity risk is the risk that the Branch is unable to meet its daily settlement obligations.

CNCBLB will ensure that it has sufficient liquidity at all times to maintain normal payment activity. The Branch, through the Treasury department, will actively monitor and manage its intra-day liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions.

Operations will forecast ahead and provide Financial Markets sight of the likely deficit / surplus position at the start of day and therefore have the ability to act in the market as required. The Branch manages this risk through the following daily 'Cash report' (See **Appendix C**) provided by Operations three times a day. This report covers:

- FMMS deals
- Nostro Accounts balances forecast out to 7 days;
- Daily payment / receipt forecasts and reconciliations; and
- Collateral and margin requirements.

Appropriate MI is collated based on information gained from the above reporting to enable effective management and oversight of the Branch's intra-day liquidity risk.

8.2 Marketable Assets

The Branch has no regulatory reporting requirements for liquidity, it holds no High Quality Liquid Assets ("HQLA") as defined for the Liquidity Coverage Ratio. The branch has an investment portfolio of corporate and financial institution bonds that are marketable assets and are deemed to be salable within a 1 month time bucket.

The risk that the Branches marketable assets cannot be liquidated as quickly as assumed remains very low. The investment bond portfolio is more a 'hold to maturity' portfolio and is not critical to the liquidity planning.

8.4 Non-marketable Assets

Liquidity risk management around the mismatches between cash inflows on assets that cannot be liquidated and funding cash outflows is monitored through the contractual mismatch calculations performed in the daily risk report.

The cumulative contractual mismatch considers the contractual maturity of all assets (with the exception of marketable assets which are in the 1 month bucket) against contractual maturity of the funding. This liquidity gap is monitored by Risk department and reported to both the ALCO and ManCo monthly.

8.4 Off-balance sheet funding

Off-balance sheet risk is the risk that certain transactions or arrangements entered into that are not recorded on the Branch's balance sheet and which do not at present give rise to a certain known cash-flow. Additional risk under a stress scenario could give rise to unexpectedly high outflows, or materially contribute to an adverse liquidity position. In the case of the Branch, off-balance sheet risk arises in the form of pipeline of committed lending and from Letters of Guarantee as well as Letters of Credit.

8.5 Cross-Currency liquidity risk

The risk is managed within Financial Markets and considers the inability to meet cash outflows in one currency in spite of cash available in other currencies, due to inability to access FX markets. This is mitigated with HO committed liquidity facility and includes the inability to raise same-day funds due to lack of same-day settlement in FX markets.

8.6 Franchise viability risk

As a new branch we do not run franchise viability risk as we do not need to provide liquidity support to related or unrelated companies in order to maintain CNCBLB reputation;

8.7 Funding Concentration risk

Funding concentration risk can arise where there are certain types of concentration within the Branch's funding profile (whether that is due to denomination of currency, geographic, or name specific) that can leave it vulnerable to substantial withdrawals in the event of a particular stress connected to that concentration. The Branch will have exposure to a number of potential funding concentrations most notably to HO. Over time the combination of customer deposits, money market borrowing and possible CD/MTN issuance will increase the diversification of funding.

9. Treasury Dealing

In order to ensure appropriate control over the activities of Treasury, the Branch will put in place and maintain appropriate Treasury Dealer Mandates to express the boundaries and thresholds for each trader exactly. The Mandates are reviewed by the Head of Financial Markets, Vice President and approved by the President. This process will be updated at least annually or more frequently as required, through the review of the Delegated authority approval process.

The Chief Risk Officer will confirm each mandate to the traders on behalf of the President and will advise any changes or updates to the mandates.

10. Approved Treasury Instruments

All financial market products are approved through the ‘New product Approval’ process with a final veto/sign-off by the Branch President. The list of approved instruments will change over time and a log will be maintained by Risk Department. The approved Treasury Instruments are listed below:

- Money Market deposits/placements
- Spot FX contracts;
- FX and IR Forwards;
- FX and IR Swaps;
- Government, FI and corporate bonds/bills; and
- Certificates of deposits

11. Oversight

Day-to-day dealing activities are supervised by Head of Financial Markets while the Internal Audit Plan will also include periodic reviews to provide assurance over adherence to this policy and the limits set through Dealing Mandates.

12. Dealing outside the office / office hours

Dealing outside the office or dealing outside office hours is not allowed unless a disruptive event occurs for example preventing physical access to the office.

In such an instance the Head of Treasury will seek approval for the Treasury staff to execute trades outside the office via remote access to relevant systems. Authority to execute one-off out of office trades may be given by the President or Vice President. ManCo can consider changes to this policy if the business needs require out-of-office trading (eg: 8 hours' time difference with HO) which may impact the Branch meeting the strategic objectives.

Any trading outside of the office must be recorded formally.

13. Review and Update of Policy

The Liquidity Risk Policy shall be reviewed by the Risk at least annually or as directed by the ARCo, to reflect changes in the profile of risks or business activities, organisational or authority structures or new regulations relevant to CNCBLB management of liquidity risk.

Appendix A: Liquidity Risk Limits (Risk Appetite)

No liquidity risk limits have been set in the Risk Appetite Statement, the reasons for this are:

- As a Third-country Branch, the UK Regulatory liquidity risk requirements considers the 'Whole bank' and the Liquidity Coverage Ratio is reported bi-annually.
- Financial Markets are the risk owners and work closely with HO Financial Markets to ensure sufficient liquidity for the London Branch. This is demonstrated with:
    - FM Delegated Authority which is reviewed annually
    - USD 500 million HO committed support facility
- Liquidity Guidelines are set by ALCO and monitored daily by Finance Department

Appendix B – Liquidity and Funding Strategy

See separate document approved by ALCO (22/9/2021), this document covers the following:

Content

Appendix C – Daily Cash Report

Report Date and Time		11/11/2020 14:01						
FMMS DEALS								
Payment ID	**Trade ID**	**Product**	**PAY/REC**	**Payment Date**	**Ccy**	**AMT**	**Party**	**ACK**
7675292	10000514	DISBILL	REC	2020-11-16	USD	49,705,989.07	CITILD	
7663884	10000489	FXS	REC	2020-11-16	EUR	37,500,000.00	CITCHO	
7663885	10000489	FXS	PAY	2020-11-16	USD	-44,292,075.00	CITCHO	
7663882	10000478	FXS	PAY	2020-11-16	EUR	-49,500,000.00	CITCHO	
7663883	10000478	FXS	REC	2020-11-16	USD	58,384,260.00	CITCHO	
7671514	10000510	TD	PAY	2020-11-18	USD	-816.67	CITCHO	
7671514	10000510	TD	PAY	2020-11-18	USD	-42,000,000.00	CITCHO	
7671513	10000241	FRN	REC	2020-11-18	USD	5,981.94	KAWAHK	
7671512	10000175	FRN	REC	2020-11-18	USD	14,954.86	KAWAHK	
7675549	10000511	TD	PAY	2020-11-19	USD	-602.78	CITCHO	
7675549	10000511	TD	PAY	2020-11-19	USD	-31,000,000.00	CITCHO	

OTHER BUSINESS								
Cust No	**Business**	**PAY/REC/ADJ /TRF/CHG/INT**	**Settlement Date**	**CCY2**	**AMT2**	**ACK2**	**Bank**	Remark
	LON	INT	2020-11-13	USD	5,063.84		JP Mo	Trafigura2020 Facility Interes
	OTH	CHG	2020-11-13	EUR	-255.31		SG	SWIFT Oct Chg
	OTH	CHG	2020-11-13	USD	-8,226.00		JP Mo	Bloomburg Charge
	OTH	CHG	2020-11-16	EUR	-935.18		CLS	Clearstream Oct AC Fee
	OTH	CHG	2020-11-16	USD	-675.94		JP Mo	JPM Oct AC Fee
	OTH	CHG	2020-11-18	EUR	-248.00		SG	SG Oct AC Fee
	OTH	INT	2020-11-18	EUR	-3,755.77		SG	SG Oct Interest Chg

			11/11/2020		12/11/2020	13/11/2020	16/11/2020	17/11/2020	18/11/2020	19/11/2020	20/11/2020
CASH POSITION											
Currency	**Name of Bank / Custodian**	**Previous Day Actual Cash Balance**	**Expected Close Bal of the above day**	**Reconcilation Break**	**T+1**	**T+2**	**T+3**	**T+4**	**T+5**	**T+6**	**T+7**
USD	JP Morgan	772,900.41	772,900.41	0.00	772,900.41	769,738.25	64,567,236.38	64,567,236.38	22,566,419.71	-8,434,183.07	-8,434,183.07
USD	BOC	152,445.00	152,445.00	0.00	152,445.00	152,445.00	152,445.00	152,445.00	152,445.00	152,445.00	152,445.00
USD	CEDEL	10,932.66	10,932.66	0.00	10,932.66	10,932.66	10,932.66	10,932.66	31,869.46	31,869.46	31,869.46
	Total	**936,278.07**	**936,278.07**	**0.00**	**936,278.07**	**933,115.91**	**64,730,614.04**	**64,730,614.04**	**22,750,734.17**	**-8,249,868.61**	**-8,249,868.61**
GBP	Barclays	356,491.39	356,491.39	0.00	356,491.39	356,491.39	356,491.39	356,491.39	356,491.39	356,491.39	356,491.39
GBP	BOC	300.00	300.00	0.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00
GBP	CEDEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**356,791.39**	**356,791.39**	**0.00**	**356,791.39**	**356,791.39**	**356,791.39**	**356,791.39**	**356,791.39**	**356,791.39**	**356,791.39**
EUR	SG	183,868.29	183,868.29	0.00	183,868.29	183,612.98	-11,816,387.02	-11,816,387.02	-11,816,635.02	-11,816,635.02	-11,816,635.02
EUR	BOC	300.00	300.00	0.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00
EUR	CEDEL	66,235.75	66,235.75	0.00	66,235.75	66,235.75	65,300.57	65,300.57	65,300.57	65,300.57	65,300.57
	Total	**250,404.04**	**250,404.04**	**0.00**	**250,404.04**	**250,148.73**	**-11,750,786.45**	**-11,750,786.45**	**-11,751,034.45**	**-11,751,034.45**	**-11,751,034.45**
CNY	CCB London	208,304.35	208,304.35	0.00	208,304.35	208,304.35	208,304.35	208,304.35	208,304.35	208,304.35	208,304.35
CNY	BOC	40,570.00	40,570.00	0.00	40,570.00	40,570.00	40,570.00	40,570.00	40,570.00	40,570.00	40,570.00
CNY	CEDEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**248,874.35**	**248,874.35**	**0.00**	**248,874.35**	**248,874.35**	**248,874.35**	**248,874.35**	**248,874.35**	**248,874.35**	**248,874.35**
HKD	CITIC Int'l	900,009.92	900,009.92	0.00	900,009.92	900,009.92	900,009.92	900,009.92	900,009.92	900,009.92	900,009.92
HKD	CEDEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**900,009.92**	**900,009.92**	**0.00**	**900,009.92**	**900,009.92**	**0.00**	**900,009.92**	**900,009.92**	**900,009.92**	**900,009.92**

Appendix D - Contingency Funding Plan

The Contingency Funding Plan ("CFP") sets out the approach and actions CNCBLB will adopt in order to manage its liquidity position during stressed conditions. The objectives of the CFP are to ensure that:

- All CNCBLB's commitments can be met with minimal disruption to its business by ensuring liquidity stress situations are identified at an early stage so that action can be taken to prevent a more serious crisis developing;
- A clear crisis action plan exists and responsibilities for dealing with it are clearly identified;
- There is effective communication internally and with key external stakeholders; and
- The plan consists of the following elements:
    1. Early warning indicators
    2. Escalation procedures
    3. Contingent Funding options
    4. Action steps in responding to a liquidity crisis

1. Early Warning Indicators

CNCBLB has identified four indicator categories (Observed, Trend, Event and Systemic) that will be monitored for potential liquidity problems. Treasury have the primary responsibility of monitoring and they will also monitor market conditions for signs of distress in the banking sector, other sectors, and other geographic areas, which have the potential to impact the CNCBLB's liquidity. The events listed below may indicate or confirm a potential or current threat to funding access. Along with management judgement, these indicators may establish the need for precautionary or corrective contingency funding action.

A. Observed Indicators

- Maturities not being re-offered;
- Awareness of negative rumours concerning CITIC Group circulating in the market;
- Media speculation about the strength of the CITIC Group;
- Awareness of any changes in risk profiles of peer & Chinese banks
- Requests from funds providers for early redemption of liabilities;
- Widening of CNCB bond prices in the secondary market relative to peer group;
- Breaching of any internal liquidity limits;
- Market intelligence and networking by Treasury and Marketing department;
- Pricing Reduced limits offered i.e. amount and tenor;
- Average tenor of third-party deposits decreases;
- Average tenor of third-party placements decreases; and
- Regulatory liquidity reports

B. Trend Indicators

- Asset quality deterioration; and
- Single or a series of negative bank analyst reports

C. Event Indicators

- Profit warning issued;
- Unexpected loss of executive management;
- Unexpected loss of major facilities or systems; and
- Default of counterparty

D. Systemic Indicators

- Developing loss of confidence in UK or Chinese banking system;
- General increase of illiquidity in wholesale markets; and

- Significant UK or Chinese bank failure

2. Escalation procedures

The above four types of indicators will be monitored by Treasury and reported to the CRO and Vice President. If any indicators worsen or turn negative, this will be a trigger for discussion at the Asset & Liability Committee ("ALCO") and ManCo, an action plan will be implemented if necessary.

The CFP can be invoked by the President or CRO.

3. Contingent Funding options

- Initially the Head of Treasury will review positions at close of business the previous day. If there are significant liquidity concerns this will be escalated to the ALCO members
- ALCO members will review the assets and liabilities at the close of the previous day. The first exercise will be to verify the liquidity buffer and immediate maturing assets for cash flow purposes
- Next, ALCO will review any liquidity gaps taken by Treasury and agree a plan to reduce them where possible. Actions likely to be agreed will be selling any marketable securities as soon as possible and speaking to depositors to agree their intentions. Due to the nature and relationship that the bank has with the depositors this is deemed to a credible management action

Specific actions available to the committee will include:

- Advise CNCB HO treasury;
- Discussions with key depositors;

- Limit tenor of new inter-bank placements in order to reduce or eliminate any maturity gaps;
- Dispose of selected liquid assets (other Bonds, short-term loans, etc);
- Freeze any asset acquisition;
- Advise the HO International Business Committee/Risk Committee of action taken and action plan put in place to rectify the liquidity position; and
- Advise the PRA of actions taken and provide an action plan to rectify the position